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Taiwan

Grain and Feed

Taiwan Permits PRC Corn Imports

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Report Highlights:

On October 25, Taiwan's Board of Foreign Trade temporarily ended the ban on PRC corn imports, effective immediately through December 31, 2002. Since Taiwan is both a quality and price market, the reliable delivery of good quality, subsidized PRC corn will cause grave damage to U.S. market share. PRC corn imports will be required to follow Taiwan import inspection and quarantine requirements.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei [TW1], TW

Special Import Permits for PRC Corn through December 31, 2002

On October 25, the Taiwan Board of Foreign Trade (BOFT) suspended the ban on PRC corn imports, effective immediately through December 31, 2002. All PRC corn imports will be subject to the normal import inspection regulations and quarantine requirements. Taiwan inspection agencies currently do not have formal contacts with their PRC counterparts which may cause some problems for shipments, although Post does not expect inspection issues to seriously affect corn trade with Mainland China.

The sudden opening resulted from lobbying by Taiwan hog farmers anxious to cut costs to better compete with pork imports. Since WTO accession, hog farmers and certain major feedmillers have urged Taiwan's Council of Agriculture(COA) to allow entry of PRC corn. Importing PRC corn has advantages of flexibility arising from short delivery periods, small shipping volumes and the lack of language barriers between importers and exporters. These advantages would make it possible for small firms to import PRC corn independently of the major corn buying groups. If carried out on a large scale, PRC corn imports could undermine Taiwan's long-standing group purchasing schemes, which rely on Panamax shipments to reduce costs.

Some hog farmers have expressed interest in importing PRC corn through the on line trading company FoodChina.com, established by the DaChan Great Wall Group and the PRC's COFCO. According to local feed industry sources, Great Wall imports about 12 percent to 16 percent of Taiwan's total corn imports. Great Wall sells both corn and commercial feeds to Taiwan farmers. On Monday, October 28, FoodChina.com ordered 12,000 tons of PRC corn. The Chareon Pophkand group is also expected to buy PRC corn.

The recent increases in local corn prices resulting from the U.S. West Coast port strike did not reduce imports, but the price increases boosted the case in favor of PRC corn imports which led to the policy reversal.

However, the local feed industry and current major corn importers opposed PRC corn imports because of concerns about market disruption. Major Taiwan corn importing groups, MFIG (Members of Feed Industry Group) and MLFG (Major League Feed Group), seemed also surprised by the out of cycle policy reversal (Taiwan authorities schedules consideration of ending PRC product bans in June/July or December/January). As of today, the major buying groups have not yet reacted to the market opening for PRC corn. Although the majors have already contracted for November corn, there are still approximately three to four corn shipments open for December PRC corn. After a recent visit to China, Taiwan's feed industry developed plans to import a trial Panamax shipment of PRC corn.

Taiwan is both quality and price market. If the PRC can deliver quality corn reliably at a competitive price, it will likely gain significant market share. If China continues to subsidize corn exports, Post expects U.S. corn exports to fall by approximately 150 TMT in CY 2002 and significantly more in the remainder of MY 2002/2003. Post will revise the corn PS&D prior to the November lockup as more information becomes available.